

## Message Text

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ACTION EUR-12

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C O N F I D E N T I A L COPENHAGEN 0871

E.O. 11652: GDS

TAGS: MARR PINT NATO DA

SUBJECT: NEW DEFENSE AGREEMENT DEFERRED

REF: COPENHAGEN 274 DTG 231730Z JAN 76

SUMMARY: PRIMARILY BECAUSE OF PROBLEMS OF PARLIAMENTARY INTER-PARTY AGREEMENT ON THE GENERAL BUDGET UNRELATED TO DEFENSE, NO FURTHER ATTEMPT IS BEING MADE TO REACH A NEW DEFENSE COMPROMISE BEFORE THE BEGINNING OF THE NEW FISCAL YEAR ON APRIL 1. ALL OBSERVERS REMAIN CONFIDENT, HOWEVER, THAT A NEW DEFENSE AGREEMENT WILL BE REACHED BEFORE PARLIAMENT ADJOURNS IN JUNE BUT PROBABLY WITHOUT THE INCREASE REQUESTED BY THE CHIEF OF DEFENSE. END SUMMARY.

1) FROM PRESS REPORTS AND CONVERSATIONS WE HAVE HAD WITH DANISH PARLIAMENTARIANS CONCERNED WITH DEFENSE MATTERS, IT APPEARS THAT NO FURTHER ATTEMPT IS BEING MADE TO REACH AGREEMENT ON A NEW DEFENSE COMPROMISE BEFORE THE BEGINNING OF THE NEW FISCAL YEAR ON APRIL 1. ALL OBSERVERS, HOWEVER, ARE CONFIDENT THAT SUCH AN AGREEMENT WILL BE REACHED BEFORE THE CONCLUSION OF THE PRESENT PARLIAMENTARY SESSION IN JUNE.

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2) THE EFFECT WILL BE THAT THE DEFENSE SECTION OF THE NEW FISCAL YEAR'S BUDGET WILL BE SUBMITTED UNDER THE UMBRELLA OF THE EXISTING (1973-77) DEFENSE AGREEMENT AND WILL REFLECT THE EXISTING COMPENSATION OFFSETS FOR INFLATION PLUS A TWO -PERCENT PLUS INCREASE IN REAL TERMS. WHAT REMAINS UNCERTAIN IS HOW A PROJECTED PAY INCREASE FOR RECRUITS WILL BE HANDLED. THIS PAY INCREASE, WHICH IN A SENSE WAS "PROMISED" TO COME INTO EFFECT ON APRIL 1, IS BOUND UP IN DISAGREEMENTS AMONG THE FIVE PARTIES TO THE SEPTEMBER 1975 "ECONOMIC COMPROMISE". CONSIDERABLE DIFFERENCES STILL EXIST BETWEEN THE GOVERNING SOCIAL DEMOCRATS AND THE LIBERALS AND THEIR ALLIES OVER THE LEVEL AND AREAS OF CUTS IN THE NEW FISCAL YEAR'S GENERAL BUDGET. THE TIME AND ATTENTION NEEDED TO WORK OUT THESE DISAGREEMENTS BEFORE THE OBLIGATORY PASSAGE OF A NEW BUDGET BEFORE THE END OF THIS MONTH HAS MEANT THAT DISCUSSIONS ON A NEW DEFENSE COMPROMISE HAVE HAD TO BE DELAYED.

3) BOTH ARNE CHRISTIANSEN, LIBERAL CHAIRMAN OF THE PARLIAMENTARY DEFENSE COMMITTEE, AND ROBERT PEDERSEN, SOCIAL DEMOCRATIC MEMBER OF THE SAME COMMITTEE, DOUBT WHETHER THE "PROMISED" PAY INCREASES WILL, IN FACT, BE GRANTED AS PART OF THE NEXT FISCAL YEAR'S BUDGET. BOTH ARE OPTIMISTIC THAT IF AND WHEN SUCH INCREASES OCCUR THEY WILL BE FUNDED IN SUCH A WAY - EITHER IN OR OUT OF THE DEFENSE BUDGET ITSELF - AS TO HAVE LITTLE OR NO IMPACT ON FUNDS PROGRAMMED FOR MILITARY MATERIAL AND INVESTMENT. NEITHER PARLIAMENTARIAN IS OPTIMISTIC THAT CHIEF OF DEFENSE, GENERAL OTTO BLIXENBRO-MOLLER, WILL OBTAIN THE ANNUAL INCREASE IN REAL TERMS THAT HE HAS REQUESTED FOR THE DURATION OF A NEW AGREEMENT.

4) WHETHER THE RADICAL PARTY WILL PARTICIPATE IN THE NEW AGREEMENT REMAINS QUESTIONABLE. THE RADICALS, WHO ARE ATTEMPTING TO INCREASE THEIR POPULAR SUPPORT, ARE LOOKING FOR ISSUES AND BELIEVE THAT THEIR (NON-SOCIALIST) OPPOSITION TO THE CONTINUING LEVEL

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OF DEFENSE EXPENDITURES WILL WIN SUPPORT. THE MAIN-STREAM SOCIAL DEMOCRATS HAVE NOT YET CHOSEN BETWEEN THEIR WISH TO HAVE THE RADICALS ON BOARD IN ORDER TO DEFUSE CRITICISM FROM THE PARTIES ON THE LEFT WING AND THE "PRICE" THAT THE RADICALS MIGHT EXACT FOR THEIR PARTICIPATION.

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